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Message Text

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61
ORIGIN SS-30

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DRAFTED BY EB/IFD/OIA:WHCOURTNEY/ARA/CAR:JBURKE:CU
APPROVED BY EB:TOENDERS
EB/IFD:PHBOEKER
EB/IFD/OIA:RJSMITH
L/EB:FWILLIS(DRAFT)
-/ARA:DGANTZ
OPIC/GC:PGILBERT
ARA:HSHLAUDEMAN
S/S-O: PJOHNSON
ARA/CAR:CNORTON
---------- 121351
O 200044Z AUG 74 ZFF4
FM SECSTATE WASHDC
TO AMEMBASSY GEORGETOWN NIACT IMMEDIATE

C O N F I D E N T I A L STATE 182088

EXDIS

E.O. 11652: GDS
TAGS: EINV, EMIN
SUBJECT: REYNOLDS NEGOTIATIONS

REF: GEORGETOWN 1453

1. WE HAVE STUDIED CAREFULLY REPORT OF YOUR CONVERSATION WITH PM BURNHAM (REFTEL). DEPT REQUESTS THAT YOU GO TO BURNHAM (AND ALSO RAMPHAL IF YOU THINK IT WOULD BE USEFUL AND APPROPRIATE) WITH THE FOLLOWING MESSAGE:

(A) THE USG IS DEEPLY DISAPPOINTED TO LEARN THAT:

-- GOG NOW SEEMS DISINCLINED TO REACH AN AGREEMENT WITH REYNOLDS;

-- AND SEEMS BENT ON IMPOSING UNILATERALLY A BAUXITE LEVY
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WHICH WOULD APPEAR CONFISCATORY AND ON USING REVENUES FROM

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THE LEVY AS AN OFFSET FOR COMPENSATION.

IN THE FACE OF SUCH ACTION REYNOLDS WILL UNDOUBTEDLY BE OBLIGED TO PROTEST AND NOT IN JUST A "PRO FORMA" MANNER.

(B) IN ANY EVENT, IT SHOULD BE STRESSED THAT THE USG CANNOT ACCEPT AS COMPENSATION AN OFFSET AGAINST ARBITRARILY-DETERMINED TAXES ENACTED RETROACTIVELY -- NOR IS REYNOLDS LIKELY TO DO SO. IN OUR VIEW GUYANA IS OBLIGATED TO PAY ACCEPTABLE

COMPENSATION IN A FULLY REALIZABLE FORM. IN THIS RESPECT, WE WISH TO EMPHASIZE THAT THE USG IS PROHIBITED BY LAW FROM EXTENDING ANY AID FUNDS TO A COUNTRY IN ORDER TO PERMIT THAT COUNTRY TO PAY TO A NATIONALIZED U.S. COMPANY. (FYI. SECTION 620(G) OF FAA END FYI.)

(C) THE USG WISHES THERE TO BE NO MISUNDERSTANDING REGARDING THE CONSEQUENCES OF AN UNCOMPENSATED EXPROPRIATION. THE USG WOULD NOT NORMALLY SUPPORT NEW AID LOANS AND OTHER TYPES OF CREDITS WHICH WE WOULD EXPECT TO CONTINUE IF AN UNCOMPENSATED EXPROPRIATION OR OTHER UNILATERAL ACTION DOES NOT TAKE PLACE. SECOND, THE USG WOULD NOT NORMALLY SUPPORT LENDING ASSISTANCE TO GUYANA BY THE IFIS THIRD, GUYANESE ACTIONS WILL UNDOUBTEDLY HAVE OTHER ADVERSE EFFECTS ON OUR BILATERAL RELATIONS AND ECONOMIC RELATIONSHIPS. WE DO NOT WISH SUCH A SITUATION TO DEVELOP AND THEREFORE URGE THAT GOG RECONSIDER TAKING ANY ACTION THAT WOULD RESULT IN THE EXPROPRIATION OF REYNOLDS WITHOUT THE PAYMENT OF ACCEPTABLE COMPENSATION.

(D) IF THE GOG FEELS OBLIGED TO PROCEED WITH NATIONALIZATION, IT SHOULD RAISE THIS MATTER WITH THE COMPANY'S NEGOTIATIORS DIRECTLY SO THAT REYNOLDS CAN BE INFORMED OF ALL OF THE PARAMETERS OF THESE NEGOTIATIONS. WE STRONGLY URGE THAT A WAY BE FOUND TO FORESTALL ANY MOVE TO INTRODUCE A TAX BILL IN PARLIAMENT PENDING FURTHER DISCUSSIONS WITH REYNOLDS AS SUCH PUBLIC ACTION WOULD MAKE A NEGOTIATED OUTCOME EXTREMELY DIFFICULT OR IMPOSSIBLE. WE ARE INFORMING REYNOLDS OF THE SUBSTANCE OF PM'S POSITION.

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(E) REAFFIRM AMBASSADOR'S PLEDGES OF USG "GOOD OFFICES" SHOULD BURNHAM CHOOSE A COURSE OF ACTION LEADING TO A NEGOTIATED SOLUTION. KISSINGER

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